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SUBJECT: DIFFICULT ECONOMIC CONDITIONS IN CENTRAL-WESTERN
COTE D'IVOIRE

REF: ABIDJAN 216

¶1. Summary. During a March 16-19 visit to the central-western region of Cote d'Ivoire, DCM and econoff found residents and local leaders to be greatly concerned about economic conditions, despite improved security in the area. The national political crisis has hampered the area's economic progress since 2002. The worldwide recession, with its accompanying decrease in demand for commodities, is now also taking a toll on the region, a major timber- and rubber-producing area. The diminishing productivity of Ivorian cocoa farms, another mainstay of the regional economy, is also cause for concern. End summary.

¶2. Emboffs met with political leaders, NGO staff members, community organizations, and business representatives during a four-day trip to Man, Guiglo, Toulepleu, Daloa, and some small villages in the area. This cable focuses on economic matters; political and security issues were covered in reftel.

¶3. In general, economic concerns seemed to outweigh political issues in the minds of emboffs' interlocutors in the region. Malnutrition, unemployment, and poverty are significant problems for residents and local leaders. Nationwide, the poverty rate increased by more than 10 percentage points, to 48.9 percent from 38.4 percent, between 2002 and 2008. In the Daloa region, poverty increased to 62.9 percent from 50.3 percent during the same period. In the Man region, poverty actually fell by one percentage point during that period, but remains extraordinarily high, at 63.2 percent.

¶4. As farmers in this hard-hit area abandoned their fields, the agricultural sector, which accounts for most of the region's economic activity, declined sharply, according to local authorities. Agricultural producers who have returned find little local demand for their goods. Many secure better prices for their products (e.g., palm oil, rice, and cassava) by exporting them--either legally or illegally--to neighboring countries, driving up food costs for local residents. Local authorities also reported that the crisis resulted in significant damage to forest reserves in the region, as looters took advantage of the absence of forest rangers to cut and sell trees illegally. Banks have yet to reopen in Man, forcing residents to travel almost 60 miles to Duekoue or over 120 miles to Daloa for banking services.

¶5. In recent months, the global economic slowdown has exacerbated the effects of the national political crisis. The manager of the Thanry sawmill in Guiglo reported that the contraction in demand for wood products has led to major layoffs at the Thanry facility.

¶6. According to the Ministry of Environment, Water, and Forests (EWF), approximately 10 Ivorian sawmills have closed recently, and 6,000 of the 40,000 workers in the Ivorian timber industry have lost their jobs. Ninety-five percent of Ivorian wood products are exported: eighty percent of those exports go to Europe, and ten percent go to the United States. Orders are now down 50 percent. The timber industry, which is concentrated in the center-west and southwest regions of the country, is a significant element of the Ivorian economy. Before the crisis, annual sales were in the range of USD 380 million. EWF, in partnership with the

national forestry development agency (SODEFOR), organized a seminar in Grand Bassam to address the industry crisis April 2-3.

¶17. Thanry's experience in Guiglo demonstrates that declines in business may have effects beyond layoffs. Thanry has been an active player in the community. The firm built a public junior high school and renovated and expanded a primary school in Guiglo. The company also maintains roads in the area and has reforested some 50 hectares (approximately 124 acres) in the Guiglo area. Such assistance is only possible when the company is profitable.

¶18. Declines in the quality and quantity of cocoa produced are also having a negative effect on the region, independent of the world recession and largely independent of the political crisis. Although cocoa prices are relatively high, cocoa productivity throughout the country continues to fall. Cargill and other major companies in the cocoa/chocolate industry are greatly concerned about the decline and have been working to reverse the trend. Several programs are underway around the country; the Gates Foundation recently announced a new regional program valued at approximately USD 40 million to help improve cocoa quality and yields.

¶19. While in the Daloa area, Emboffs toured a Cargill cocoa buying station and visited one of Cargill's "farmer field schools," where Ivorian extension agents, funded by Cargill, teach farmers how to increase farm yields through better pruning, treatment of diseases, wiser application of pesticides, etc. Cargill uses these schools to combat the worst forms of child labor as well.

¶10. Although NGOs, USAID, cocoa exporters, and other participants in the cocoa/chocolate industry are conducting programs like Cargill's farmer field schools, in industry's view the GOCI, which has invested little in the cocoa sector, carries overall responsibility for the decline. The new program approved for Cote d'Ivoire by the World Bank Board on March 31, contains measures to address problems in the sector.

¶11. Comment. While emboffs found the security situation in the region to be generally calm, they did not find much encouraging news on the economic front. Post notes that Tata Steel intends to undertake an iron-mining project valued at between USD 1.0 billion and 1.5 billion near Man. Local authorities with whom emboffs spoke were oblivious to this development, which will not produce significant employment in the short term, but could be an economic boon if it reaches fruition. End comment.

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